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# CONSOLIDATED MERCANTILE

INCORPORATED



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THOMSON INTERIM REPORTICIAL Your Directors are pleased to report on the activities and financial results of the Company for the six months ended June 30, 2002.

Results for the first six months of the year reflect a significant increase in earnings. Revenues increased by 8% to approximately \$113 million from \$104 million in the comparable 2001 period. Earnings from Operations increased to \$9.6 million compared to \$5.1 million in 2001. Earnings for the six months increased to \$0.35 per share prior to reflecting a loss on the early repayment of a portion of the Company's outstanding convertible debenture. This non-recurring loss reduced earnings to \$0.23 per share. This compares with a loss of (\$0.07) per share in 2001.

The growth in earnings stems from the Company's expanded product offerings; lower material costs and improved manufacturing efficiencies and indications are that the Company will continue to experience increased earnings for the balance of the year as a result of the many initiatives put into place.

Our packaging and specialty cover unit recently entered into a new and expanded banking arrangement that allows for substantial growth. Funding is being made available for capital expenditure programs, plant expansion, acquisitions and most importantly, the growth in core product lines.

Your Directors are pleased with the results achieved and look forward to continued growth.

On Behalf of the Board

Fred A. Litwin President

#### CONSOLIDATED MERCANTILE INCORPORATED

#### CONSOLIDATED BALANCE SHEET

(Unaudited)

	June 30	December 31
	2002	2001
ASSETS	177	
CURRENT		1
Cash and short-term investments \$	620,640 \$	2,249,759
Accounts and notes receivable	36,755,168	36,292,134
Income taxes receivable	175,753	468,443
Inventories	25,012,084	27,733,107
Prepaid expenses	1,657,135	1,387,140
Future income taxes	560,675	566,157
	64,781,455	68,696,740
INVESTMENTS	542,751	590,303
FIXED	53,786,497	55,522,291
FUTURE INCOME TAXES	1,054,063	924,867
INTANGIBLE AND OTHER ASSETS	2,983,646	3,091,436
	123,148,412 \$	128,825,637
LIABILITIES		

Accounts payable and accruals 27,545,953 29,456,651  Current portion of long-term debt 16,349,707 18,470,100  63,036,887 67,697,609  LONG-TERM DEBT 14,331,315 16,740,387	CURRENT		
Current portion of long-term debt         16,349,707         18,470,100           63,036,887         67,697,609           LONG-TERM DEBT         14,331,315         16,740,387           NON-CONTROLLING INTEREST         22,174,539         21,349,086           FUTURE INCOME TAXES         4,563,271         4,606,379	Bank indebtedness \$	19,141,227 \$	19.770,858
63,036,887 67,697,609  LONG-TERM DEBT 14,331,315 16,740,387  NON-CONTROLLING INTEREST 22,174,539 21,349,086  FUTURE INCOME TAXES 4,563,271 4,606,379	Accounts payable and accruals	27,545,953	29,456,651
LONG-TERM DEBT         14,331,315         16,740,387           NON-CONTROLLING INTEREST         22,174,539         21,349,086           FUTURE INCOME TAXES         4,563,271         4,606,379	Current portion of long-term debt	16,349,707	18,470,100
NON-CONTROLLING INTEREST         22,174,539         21,349,086           FUTURE INCOME TAXES         4,563,271         4,606,379		63,036,887	67,697,609
FUTURE INCOME TAXES 4,563,271 4,606,379	LONG-TERM DEBT	14,331,315	16,740,387
	NON-CONTROLLING INTEREST	22,174,539	21,349,086-
104,106,012 110,393,461	FUTURE INCOME TAXES	4,563,271	4,606,379
		104,106,012	110,393,461

#### SHAREHOLDERS EQUITY

CAPITAL STOCK	2,362,086 2,362,086
CONTRIBUTED SURPLUS	59,411 59,411
TRANSLATION ADJUSTMENT	575.130 656,537
RETAINED EARNINGS	16,045,773 15,354,142 19,042,400 18,432,176
	\$ 123,148,412 \$ 128,825,637

#### CONSOLIDATED MERCANTILE INCORPORATED

## CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

(Unauded)

		Ţ.			
		Six months en	ed June 30	Three months en	ded June 30
		2002	2001	2002	2001
		·			
0.1100	٠	112,688,421 \$	103,963,974	\$ 60,090,001 \$	54,500,391
SALES	٠.	112,000,421 3	103,903,974		
COST OF SALES		84.777.587	81,027,930	44,703,531	42,370,194
		27,910,834	22.936,044	15,386,470	12,130,197,
OTHER INCOME		5,71		2 422	2.502
Interest income		12,529	16.067	3,422	3:502
EXPENSES					
Selling and administrative		18,308,620	17,835,955	9:461.924	9,084,623
시대를 가지 방법하는 것으로 가는 것	-			Taglina Tagliana A	1 1 1 1
EARNINGS FROM OPERATIONS	, e -	9.614,743	5.116.156	5.927.968	3,049.076
				2226975	2,102,159
Amortization		4,442,765	4,335,503	2,236,875	618,846
Interest on long-term debt  Loss on extinguishment of long-term debt	,	948,149 432,140	1,301,419	432,140	-1
Loss on examposament of long-term den	_	5,823,054	5,636,922	3,079,288	2,721,005
	·				7
EARNINGS (LOSS) BEFORE INCOME TAXES	100		\$		220 071
AND UNDERNOTED ITEMS		3.791.689	(520,766)	2,848,680	328,071
Income taxes (recovered)		1,632,021	(175,861)	1,267,033	143,957
income taxes (recovered)		1.032,021	(175,001)		
EARNINGS (LOSS) BEFORE UNDERNOTED ITEM	Ś	2,159,668	(344.905)	1.581,647	184,114
			1 1		(103.105)
Non-controlling interest		(1,420,485)	186,749	(1.108,088)	(102,195 7,800
Equity in earnings of investor  Loss on disposal of investment		14.630 (62,182)	16,087	/.W	7,110,47
Loss on disposition investment	, · -	(1.468,037)	202,836	(1,107,358)	(94,395
	· -		Ē.		
NET EARNINGS (EOSS) FOR THE PERIOD		691,631	(142,069)	474,289	89,719
	-		14.240.202	15,571,484	14,017,505
RETAINED EARNINGS, beginning of period		15.354.142	14:249,293	10,071,404	14,017,
Excess of cost of shares purchased					
for cancellation over-stated value			1 (140.541)		(140,541
	_				12.066.602
RETAINED EARNINGS, END OF PERIOD	·	16,045,773 \$	13,966,683	\$ 16,045,773 \$	13,966,683
EARNINGS (LOSS) PER SHARE		4	Ž.		
Basic	\$	0.23 \$		\$ 0.16 \$	0.02
Fully diluted	\$	0.24 \$	(0.07)	\$ 0.45 \$	0.02
Watestad average number of seminar charge			- 5	*	
Weighted average number of common shares Basic		2,779,320	2,794,834	2,779,320	2,779,684

#### Notes to Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in Canada on a basis consistent with those followed in the most recent audited financial statements. These unaudited financial statements do not include all the information and footnotes required by the generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended December 31, 2001.

Results of operations were impacted by the expected seasonlity of certain of the products sold.

### CONSOLIDATED MERCANTILE INCORPORATED

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

		Six months end			Three months e	inded June 30
		2(N)2	2001	e trace	2002	2001
CARALLE AND ASSESSMENT OF THE PARTY OF THE P						
OPERATING ACTIVITIES						
Net earnings (loss) for the perio	od .	\$ 691.631 \$	(142,069)	\$	474.289 \$	89.719
Amortization	, .	4,442,765	4,335,503		2,236,875	2,102,159
Future income taxes		(137,000)	(20,000)		(000,811)	(20,000
Non-controlling interest		1,420,485	(186,749)		1,108,088	102,19
Equity in earnings of investee	i i i	(14,630)	(16,087)		(730)	(7,80
Loss on disposal of investment		62,182		4.1	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(7,102
Carlotte Company	1	6,465;433	3,970,598		3.700,522	2,266,27
Change in non-cash component	ls ·			3-8-27-22-3		2.200,27
of working capital		369,986	(10.928.352)	ta in a l	(8,174,564)	(14.369.38
		6,835,419	(6,957,754)		(4,474,()42)	(12,103,114
FINANCING ACTIVITIES		-	. (.,,,,,,,,,	<del>-</del>	(4,474,1142)	(12,105,112
Increase (decrease) in bank inde	ebtedness	(514,131)	14.402,003		8,623,803	15'642.024
Purchase of common shares for	cancellation		(166,607)		0.025,005	15,642,026
Purchase of shares of consolida		(472,761)	(100,007)			(34.057
Purchase of shares by consolida		(*,2,701)			(472,761)	
subsidiary for cancellation		(101,000)	(1.061.200)	er garier		- * * # # # # # # # # # # # # # # # # #
Proceeds from long-term debt			(1.061,300)		13 - E1	(457.82€
Repayment of long-term debt	4.0	135,000	165,000		135,000	and the
, -1 or some norm octil		(4,380,340)	(2,499,480)	_	(2,868,171)	(1.504,743
INVESTING ACTIVITIES		(5,333,232)	10,839,616	· :-	5,417,871	13,645,400
Purchase of and deposits on fixe	ad access	(2.040.202)				
Other	co assets	(2,948,287)	(5,320,543)		(1,258,347)	(2,325,517
1764		(2.040.202)	(559,977)	_		(511,025
Effect of foreign currency transla		(2.948.287)	(5,880,520)		(1,258,347)	(2,836,542
on cash balances	uon · ,	i ing man				
on cash barances		(183,019)	797,504		(470,193)	337,876
CHI I NICHE IN CLASH DANGERS						
CHANGE IN CASH POSITIO  Cash and short-term investments		(1:629,119)	(1,201,154)		(784,711)	(956,380
				* * * * * * * * * * * * * * * * * * * *		
			3 4 A			
at beginning of period	**************************************	2,249,759	1,799,650	<u> </u>	1,405,351	1.554.876
		2.249.759	1,799,650	· <del>-</del>	1,405,351	1,554,876
CASH AND SHORT-TERM II	NVESTMENTS				1,405,351	1,554,876
	NVESTMENTS	2,249,759 \$ 620,640 \$	1,799,650 598,496	\$ <u> </u>	620,640 \$	
CASH AND SHORT-TERM II A'T END OF PERIOD				\$		
CASH AND SHORT TERM II AT END OF PERIOD Supplemental cash flow informat		\$ 620,640 \$	598,496	- · · · · -		
CASH AND SHORT TERM II A'T END OF PERIOD  Supplemental cash flow informat Income taxes paid		\$ .620,640 \$ \$ 1,457,590 \$	598,496 2,128,542	<b>s</b>	620,640 <b>\$</b> 265,669 <b>\$</b>	
CASH AND SHORT TERM II A'T END OF PERIOD Supplemental cash flow informat		\$ 620,640 \$	598,496	- · · · · -	620,640 \$	598,496
CASH AND SHORT TERM II A'T END OF PERIOD  Supplemental cash flow informat Income taxes paid		\$ .620,640 \$ \$ 1,457,590 \$	598,496 2,128,542	<b>s</b>	620,640 <b>\$</b> 265,669 <b>\$</b>	598,496 464,779
ASH AND SHORT-TERM II AT END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net		\$ .620,640 \$ \$ 1,457,590 \$	598,496 2,128,542	<b>s</b>	620,640 <b>\$</b> 265,669 <b>\$</b>	598,496 464,779
CASH AND SHORT-TERM II AT END OF PERIOD  Supplemental cash flow informal Income taxes paid Interest paid, net  Segmented information		\$ .620,640 \$	598.496 2.128.542 2.168.970	<b>s</b>	620,640 <b>\$</b> 265,669 <b>\$</b>	598,496 464,779
CASH AND SHORT-TERM II AT END OF PERIOD  Supplemental cash flow informal Income taxes paid Interest paid, net  Segmented information		\$ 620,640 \$ \$ 1,457,590 \$ \$ 1,279,316 \$	598,496 2,128,542 2,168,970	<b>s</b>	620,640 <b>\$</b> 265,669 <b>\$</b>	598,496 464,779 1,226,005
CASH AND SHORT-TERM II AT END OF PERIOD  supplemental eash flow informat Income taxes paid Interest paid, net  segmented information in thousands of dollars)	ion:	\$ .620.640 \$  \$ 1,457.590 \$ \$ 1,279.316 \$  Six months ender 2002	598,496 2,128,542 2,168,970 ad June 30 2001	<b>s</b>	620,640 \$ 265,669 \$ 660,328 \$	598,496 464,779 1,226,005
ASH AND SHORT-TERM II AT END OF PERIOD supplemental eash flow informat Income taxes paid Interest paid, net segmented information in thousands of dollars)	ion: Packaging Products	\$ .620,640 \$ \$ 1,457,590 \$ \$ 1,279,316 \$  Six months ender 2002 \$ 64,220 \$	598.496 2.128.542 2.168.970 20 June 30 2001 60.136	<b>s</b>	620,640 \$ 265,669 \$ 660,328 \$	598,496 464,779 1,226,005 ddd June 30
CASH AND SHORT-TERM II AT END OF PERIOD  supplemental cash flow informal Income taxes paid Interest paid, net  segmented information in thousands of dollars)	Packaging Products Pool Products	\$ 1,457,590 \$ 1,279,316 \$  Six months ende 2002 \$ 64,220 \$ 20,538	598,496 2,128,542 2,168,970 ad June 30 2001	\$	620,640 \$ 265,669 \$ 660,328 \$ Three months en	598,496 464,779 1,226,005 ded June 30 2001
CASH AND SHORT-TERM II AT END OF PERIOD  supplemental eash flow informat Income taxes paid Interest paid, net  segmented information in thousands of dollars)	ion: Packaging Products	\$ 1,457,590 \$ 1,279,316 \$  Six months ende 2002 \$ 64,220 \$ 20,53827,930	598.496 2.128.542 2.168.970 20 June 30 2001 60.136	\$	620,640 \$ 265,669 \$ 660,328 \$ Three months en	598,496 464,779 1,226,005 ded June 30 2001 30,152
ASH AND SHORT-TERM II AT END OF PERIOD supplemental eash flow informat Income taxes paid Interest paid, net segmented information in thousands of dollars)	Packaging Products Pool Products	\$ 1,457,590 \$ 1,279,316 \$  Six months ende 2002 \$ 64,220 \$ 20,538	598,496 2,128,542 2,168,970 20 June 30 2001 60,136 17,409	\$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343	598,496 464,779 1,226,005 ded June 30 2001 30,152 11,550
ASH AND SHORT-TERM II AT END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  segmented information in thousands of dollars)  Net sales	Packaging Products Pool Products Furniture	\$ .620,640 \$  \$ 1,457,590 \$ \$ 1,279,316 \$  Six months ende 2002 \$ 64,220 \$ 20,53827,930 \$ 112,688 \$	598.496 2.128.542 2.168.970 20 June 30 2001 60.136 17.409 26.419	\$	620,640 \$ 265,669 \$ 660,328 \$ Three months en 2002 32,414 \$ 14,343 43,333	598,496 464,779 1,226,005 ded June 30 2001 30,152 11,550 12,798
ASH AND SHORT-TERM II AT END OF PERIOD  upplemental cash flow informat Income taxes paid Interest paid, net  regmented information in thousands of dollars)  Net sales	Packaging Products Pool Products Furniture Packaging Products	\$ 1,457,590 \$ 1,279,316 \$  Six months ende 2002 \$ 64,220 \$ 20,53827,930	598.496 2.128.542 2.168.970 20 June 30 2001 60.136 17.409 26.419	\$	620,640 \$ 265,669 \$ 660,328 \$ Three months en 2002 32,414 \$ 14,343 43,333	464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798
EASH AND SHORT-TERM II AT END OF PERIOD  Supplemental eash flow informat Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales	Packaging Products Pool Products Furniture Packaging Products Pool Products	\$ .620,640 \$  \$ 1,457,590 \$ \$ 1,279,316 \$  Six months ende 2002 \$ 64,220 \$ 20,53827,930 \$ 112,688 \$	2,128,542 2,168,970 201. 60,136 17,409 26,419 103,964	\$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$	598,496 464,779 1,226,005 ded June 30 2001 30,152 11,550 12,798 54,500
ASH AND SHORT-TERM II AT END OF PERIOD  unplemental cash flow informat Income taxes paid Interest paid, net  iegmented information in thousands of dollars)  Net sales	Packaging Products Pool Products Furniture Packaging Products	\$ .620,640 \$	598,496 2,128,542 2,168,970 2d June 30 2001. 60,136 17,409 26,419 103,964 7,875	\$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889	598,496 464,779 1,226,005 ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250
ASH AND SHORT-TERM II AT END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  segmented information in thousands of dollars)  Net sales	Packaging Products Pool Products Furniture Packaging Products Pool Products	\$ 1,457,590 \$ 1,279,316 \$  Six months ender 2002 \$ 64,220 \$ 20,538	598,496 2,128,542 2,168,970 201 60,136 17,409 26,419 103,964 7,875 721	\$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441	598,496 464,779 1,226,005 ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724
ASH AND SHORT-TERM II A'T END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit	Packaging Products Pool Products Furniture Packaging Products Pool Products	\$ .620,640 \$ \$ 1,457,590 \$ \$ 1279,316 \$  Six months ender 2002 \$ 64,220 \$ 20,538, .27,930 \$ 112,688 \$ \$ 10,971 \$ 1,305 \$ 1,418	598,496 2,128,542 2,168,970 201 60,136 17,409 26,419 103,964 7,875 721 1,437	\$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889	598,496 464,779 1,226,005 ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250
CASH AND SHORT-TERM II AT END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit	Packaging Products Pool Products Furniture Packaging Products Pool Products	\$ .620,640 \$ \$ 1,457,590 \$ \$ 1279,316 \$  Six months ender 2002 \$ 64,220 \$ 20,538,	598,496 2,128,542 2,168,970 2001. 60,136 17,409 26,419 103,964 7,875 721 1,437 10,033	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$	598,496 464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701
CASH AND SHORT-TERM II AT END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit	Packaging Products Pool Products Furniture  Packaging Products Pool Products Furniture	\$ 1,457,590 \$ 1,279,316 \$  Six months ender 2002 \$ 64,220 \$ 20,538	598,496 2,128,542 2,168,970 201 60,136 17,409 26,419 103,964 7,875 721 1,437	\$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$ 808 \$	.598,496 .464,779 1.226,005 .001 30,152 -11,550 12,798 54,500 3,727 1,250 7,24 5,701
ASH AND SHORT-TERM II A'T END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit	Packaging Products Pool Products Furniture  Packaging Products Pool Products Furniture  Packaging Products	\$ .620,640 \$	598,496 2.128,542 2.168,970 2001 60,136 17,409 26,419 103,964 7,875 721 1,437 10,033 3,932 835	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$  808 \$ 112	.598,496 .464,779 1.226,005
ASH AND SHORT-TERM II AT END OF PERIOD  upplemental cash flow informat Income taxes paid Interest paid, net  ingmented information in thousands of dollars)  Net sales  Operating profit	Packaging Products Pool Products Furniture  Packaging Products Pool Products Furniture  Packaging Products Furniture	\$ .620,640 \$	598,496 2,128,542 2,168,970 2001 60,136 17,409 26,419 103,964 7,875 721 1,437 10,033 3,932 835 183	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$  808 \$ 112 72	464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701 1,339 398 81
ASH AND SHORT-TERM II A'T END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit	Packaging Products Pool Products Furniture  Packaging Products Pool Products Furniture  Packaging Products Profucts	\$ 1,457,590 \$ 1,279,316 \$  Six months ende 2002 \$ 64,220 \$ 20,538	598,496 2,128,542 2,168,970 2001. 60,136 17,409 26,419 103,964 7,875 721 1,437 10,033 3,932 835 183 370	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$ 808 \$ 112 72 266	598,496 464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701 1,339 398 81 508
ASH AND SHORT-TERM II A'T END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit	Packaging Products Pool Products Furniture  Packaging Products Pool Products Furniture  Packaging Products Profucts	\$620.640 \$ \$ 1.457.590 \$ \$ 1.279.316 \$  Six months ender 2002 \$ 64,220 \$	598,496 2,128,542 2,168,970 2001 60,136 17,409 26,419 103,964 7,875 721 1,437 10,033 3,932 835 183	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$  808 \$ 112 72	464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701 1,339 398 81
CASH AND SHORT-TERM II AT END OF PERIOD  Supplemental cash flow informal Income trices paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit  Capital expenditures	Packaging Products Pool Products Furniture  Packaging Products Pool Products Furniture  Packaging Products Pool Products Pool Products Pool Products Purniture  Corporate	\$ .620,640 \$	598,496 2,128,542 2,168,970 2001 60,136 17,409 26,419 103,964 7,875 721 1,437 10,033 3,932 835 183 370 5,320	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$ 808 \$ 112 72 266	464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701 1,339 398 81 508
CASH AND SHORT-TERM II A'T END OF PERIOD  Supplemental each flow informal Income trices paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit  Capital expenditures	Packaging Products Pool Products Furniture  Packaging Products Fool Products Furniture  Packaging Products Peol Products Peol Products Peor Products Purniture Corporate	\$ .620,640 \$	598,496 2,128,542 2,168,970 2001 60,136 17,409 26,419 103,964 7,875 721 1,437 10,033 3,932 835 183 370 5,320 66,189	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$ 808 \$ 112 72 266	598,496 464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701 1,339 398 81 508
CASH AND SHORT-TERM II A'T END OF PERIOD  Supplemental cash flow informal Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit  Capital expenditures	Packaging Products Pool Products Furniture  Packaging Products Furniture  Packaging Products Pool Products Furniture  Corporate  Packaging Products Pool Products Pool Products Pool Products	\$ .620,640 \$ \$ 1,457,590 \$ \$ 1,457,590 \$ \$ 1,279,316 \$  Six months ender 2002 \$ 64,220 \$ 20,538, -27,930 \$ 112,688 \$ \$ 10,971 \$ 1,305 1,418 \$ 13,694 \$ \$ 1,865 \$ 424 332 327 \$ 2,948 \$ \$ 2,948 \$ \$ 68,139 \$ 34,409	598,496  2,128,542 2,168,970  2001. 60,136 17,409 26,419 103,964  7,875 721 1,437 10,033 3,932 835 183 370 5,320  66,189 37,807	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$ 808 \$ 112 72 266	464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701 1,339 398 81 508
CASH AND SHORT-TERM II A'T END OF PERIOD  Supplemental cash flow informal Income taxes paid Interest paid, net  Segmented information in thousands of dollars)  Net sales  Operating profit  Capital expenditures	Packaging Products Pool Products Furniture  Packaging Products Pool Products Furniture  Packaging Products Peol Products Furniture  Corporate  Packaging Products Pool Products	\$ .620,640 \$ \$ \$ 1,457,590 \$ \$ 1,279,316 \$  Six months ender 2002 \$ 64,220 \$ 20,538 -27,930 \$ 112,688 \$ \$ 10,971 \$ 1,305 \$ 1,418 \$ \$ 13,694 \$ \$ \$ 1,865 \$ 424 \$ 332 \$ 327 \$ 2,948 \$ \$ \$ 68,139 \$ 34,409 \$ 13,093	598,496 2,128,542 2,168,976 2001. 60,136 17,409 26,419 103,964 7,875 721 1,437 10,033 3,932 835 183 370 5,320 66,189 37,807 16,498	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$ 808 \$ 112 72 266	464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701 1,339 398 81 508
CASH AND SHORT-TERM II A'T END OF PERIOD  Supplemental cash flow informat Income taxes paid Interest paid, net  Segmented information (in thousands of dollars)  Net sales  Operating profit	Packaging Products Pool Products Furniture  Packaging Products Furniture  Packaging Products Pool Products Furniture  Corporate  Packaging Products Pool Products Pool Products Pool Products	\$ .620,640 \$ \$ 1,457,590 \$ \$ 1,457,590 \$ \$ 1,279,316 \$  Six months ender 2002 \$ 64,220 \$ 20,538, -27,930 \$ 112,688 \$ \$ 10,971 \$ 1,305 1,418 \$ 13,694 \$ \$ 1,865 \$ 424 332 327 \$ 2,948 \$ \$ 2,948 \$ \$ 68,139 \$ 34,409	598,496  2,128,542 2,168,970  2001. 60,136 17,409 26,419 103,964  7,875 721 1,437 10,033 3,932 835 183 370 5,320  66,189 37,807	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	620,640 \$ 265,669 \$ 660,328 \$  Three months en 2002 32,414 \$ 14,343 43,333 60,090 \$ 5,017 \$ 1,889 441 7,347 \$ 808 \$ 112 72 266	.598,496 464,779 1,226,005  ded June 30 2001 30,152 11,550 12,798 54,500 3,727 1,250 724 5,701 1,339 398 81 508



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### RESULTS OF OPERATIONS

Sales. Sales were \$112.7 million for the first six months of 2002, an increase of 8.4% as compared to \$103.9 million for 2001. The Company continues to achieve improvement in revenue at both its packaging and specialty cover and furniture units.

Gross Margins. Gross margin increased to 24.8% for the first six months of 2002 compared with 22.1% for the comparable period in 2001. The gross margin increase resulted from lower material costs and improved manufacturing efficiencies.

Selling and Administrative Expenses. Selling and administrative expenses as a percentage of sales decreased to 16.2% as compared to 17.2% for 2001 due to the higher sales volumes.

Other Expenses. The Company incurred \$5.8 million of other expenses for the first six months of 2002 compared with \$5.6 million for the first six months of 2001. The net increase was due to a loss on extinguishment of long-term debt and a decrease in interest on long-term debt.

Income Tax Provision. The effective tax rate was 43.0% for the first six months of 2002 compared to 33.8% for the comparable period in 2001. The main difference between the Company's statutory tax rate and its effective tax rate is primarily attributable to differing tax rates in foreign countries, valuation allowance and certain non-deductible expenses.

Net Earnings. The Company reported net earnings of \$691,631 for the first six months of 2002 compared with net loss of \$142,069 for the first six months in 2001.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash on hand, unused borrowing capacity under existing lines of credit and the cash flow from operations.

The Company's working capital amounted to \$1,744,568 at June 30, 2002 compared to \$999,131 at December 31, 2001. The ratio of current assets to current liabilities was 1.03:1 at June 30, 2002 and 1.01:1 at December 31, 2001. The Company's cash on hand was \$0.6 million at June 30, 2002 as compared to \$2.2 million at December 31, 2001. The substantial decrease in working capital at both December 31, 2001 and June 30, 2002 was due to the fact that the Company's packaging and speciality cover subsidiary's banking facility expired in June 2002 and approximately \$15 million of the term loans drawn under the line of credit have been reclassified under current liabilities. This unit has now entered into a new banking agreement to replace the expiring facility and these term loans have once again been reclassified as long-term liabilities. The new facilities allow for substantial growth with funding being made available for capital expenditure programs, plant expansion, acquisition opportunities and most importantly, growth in core product lines.